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TO RUEHC/SECSTATE WASHDC PRIORITY 2258
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY 0581
RUEHZG/NATO EU COLLECTIVE
RUEAIIA/CIA WASHINGTON DC
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RHMFIUU/HQ USCENCOM MACDILL AFB FL
RUEKJCS/JOINT STAFF WASHINGTON DC
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INFO RUCNAFG/AFGHANISTAN COLLECTIVE

UNCLAS KABUL 000056

SIPDIS

SIPDIS

DEPT FOR EB/IFD/ODF, SCA/FO, AND SCA/A
DEPT PASS AID/ANE
DEPT PASS OPIC FOR MOSBACHER AND ZAHNISER
TREASURY FOR MNUGENT, BDAHL, AND SSEGAL
NSC FOR JWOOD
OSD FOR SHIVERS

E.O. 12958: N/A

TAGS: [EAID](#) [EFIN](#) [PREL](#) [AF](#)

SUBJECT: AFGHANISTAN - PRESSURES ON FOOD PRICES INCREASE IN
NOVEMBER

REF: A. A) 07 KABUL 4007

[B](#). B) 07 ISLAMABAD 5256

SUMMARY

[1](#)1. (SBU) Increasing food prices have been a concern since the summer, but the situation deteriorated in November. In December, Pakistan, the major source of imported wheat for Afghanistan, formally imposed a 35% duty on wheat exports, after a November in which the Afghans perceived sporadic Pakistani attempts to hinder wheat exports. This tariff increase may further complicate the December inflation picture in Afghanistan, as well as in the coming months.

FOOD PRICES CONTINUE TO RISE

[1](#)2. (U) The latest Consumer Price Index (CPI) figures from Afghanistan's Central Bank (Da Afghanistan Bank) show that end-of-period, year-on-year overall CPI rose 15% between November 2006 and November 2007. The price of food increased 23.2% and bread and cereals, a staple in the Afghan diet, increased 37% in the same period. These figures are based upon prices in Kabul.

[1](#)3. (U) This is a deterioration of an already difficult situation for most Afghans. As the Ramadan and Eid events concluded, food prices had declined slightly from 15.8% in September 2007 to 14.9% in October 2007, compared to the same periods in 2006.

POLITICAL PRESSURE TO RESPOND

[1](#)4. (U) In response to high prices, the Finance Minister announced on Jan. 2 a temporary lifting of import duties on wheat and flour and a reduction in cooking oil duty from 3.5% to 2.5%. According to a Ministry of Finance source, President Karzai made this decision.

[1](#)4. (SBU) The increasing pressure in the Cabinet and Parliament to respond to high food prices has resulted in some senior officials unhelpfully advocating for a move away from the free market approach. Specifically, some Cabinet members are advocating for the revival of state-

owned enterprises, including one to distribute food at subsidized fixed prices. The Finance Minister has argued to both Cabinet and Parliament,s Economic Committee against movement away from open market economic principles, and he is likely to face continued pressure once Parliament reconvenes in late January. In a recent meeting, Ambassador Wood and the Finance Minister discussed food prices and Ambassador Wood emphasized the critical importance of the free market in Afghanistan.

COMMENT

15. (U) Post will continue to closely follow the price increase figures, and any IROA policy responses. The December CPI figures are expected after January 10.
WOOD